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# The Waterbase Limited

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## Investor Presentation

June - 2016



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## Safe Harbour Statement:

Certain statements in this presentation concerning our future plans, growth prospects, etc. are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, fluctuations in earnings, our ability to manage growth, competitive intensity in our industry of operations including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, sufficient availability of raw materials, our ability to successfully complete and integrate potential acquisitions, liability for damages on our contracts to supply products, the success of the companies in which TWL has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. TWL may, from time to time, make additional written and oral forward-looking statements, including those in our reports to shareholders. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company

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# Company Overview

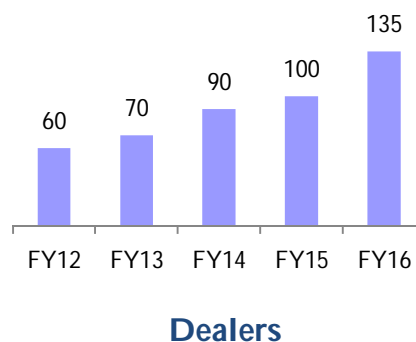
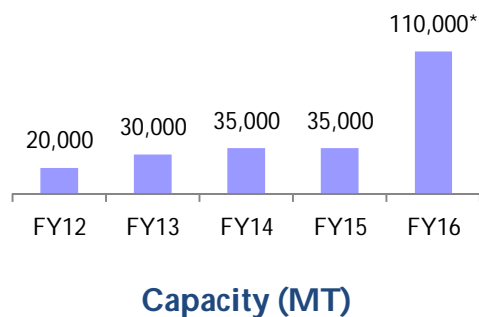


# Company Overview

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- **Pioneer** in Aquaculture business – **over 20 years of experience** – Incorporated in 1987
- **Rich Legacy:** Part of the **diversified** Karam Chand Thapar Group (KCT Group) which has interests in coal, real estate, infrastructure, manufacturing and aquaculture
- **Wide Presence:**
  - Headquartered in Chennai, Tamil Nadu;
  - Manufacturing plants in and around Nellore, Andhra Pradesh ;
  - Market Presence in Andhra Pradesh, Karnataka, Tamil Nadu, Gujarat, West Bengal & Odisha
- **Diversified Operations** – Current operations comprise Manufacturing of shrimp feed, processing of farmed shrimp & export of processed shrimp. The Company is in the process of setting up Vannamei Shrimp Hatchery.
- **Quality Compliant:** Processing facilities are FDA & BAP approved, EU listed and HACCP certified. Feed plant is BAP certified.



\* Post Amalgamation with Pinnae Feeds Limited

**32%**  
Revenue  
CAGR: FY12-16

**0.1**  
Debt-Equity  
Ratio  
Mar 2016

**232**  
Employees

## Product Portfolio

### Shrimp Feed



### Processed Shrimp



# Locations

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## Registered office and factory

- Ananthapuram Village,  
T.P. Gudur Mandal,  
Nellore – 524 344, Andhra  
Pradesh.

## Corporate Office

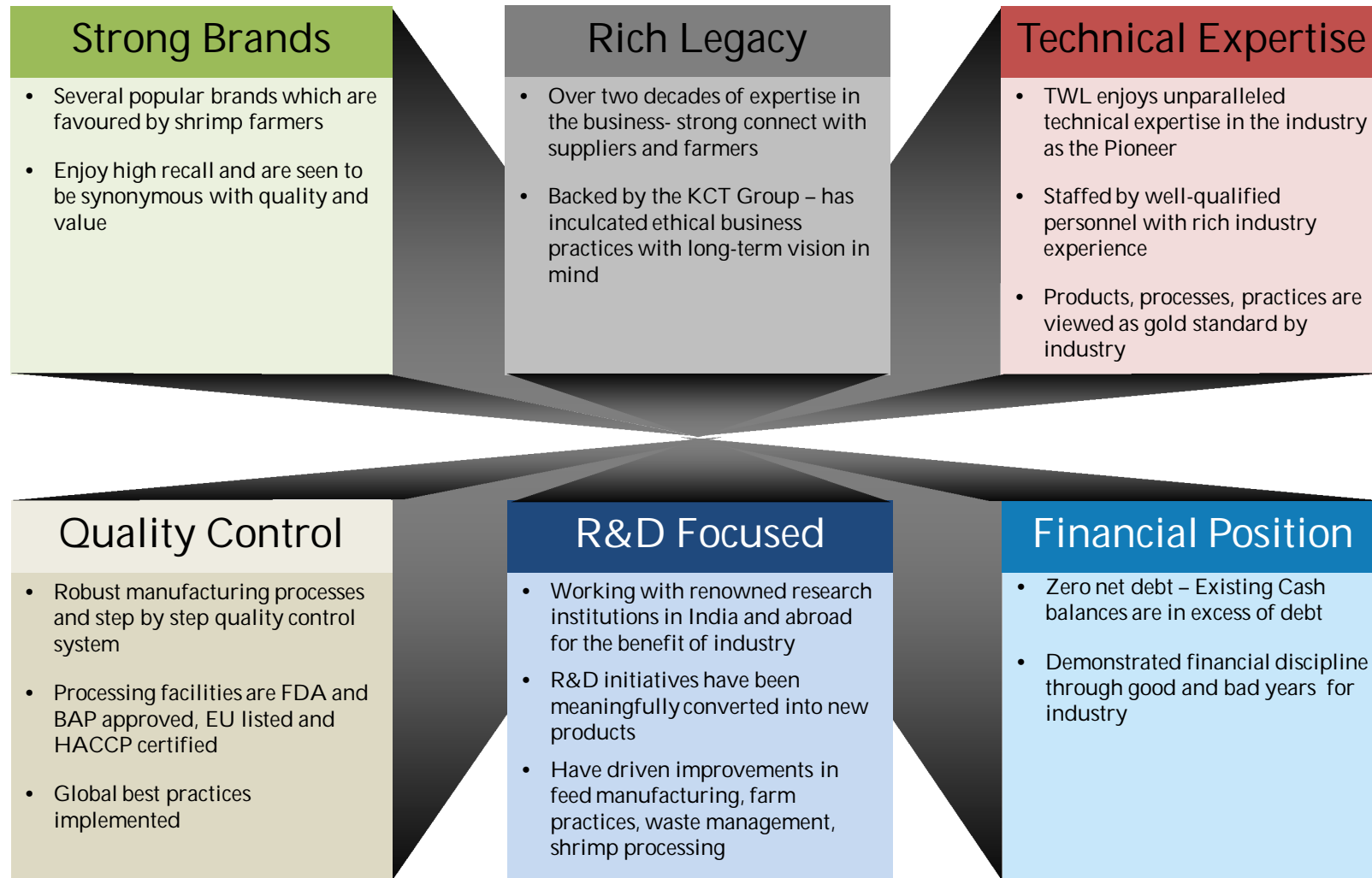
- No. 37, Thapar House,  
Montieth Road, Egmore,  
Chennai – 600 008

## Group Corporate Office

- Delhi
- Kolkata

# Key Strengths

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# Product Portfolio

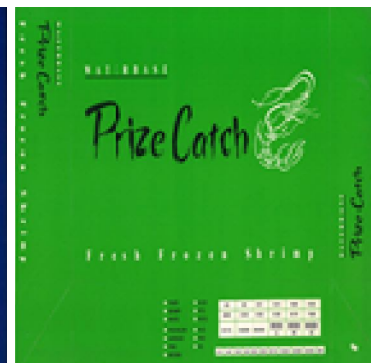
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Shrimp  
Feed

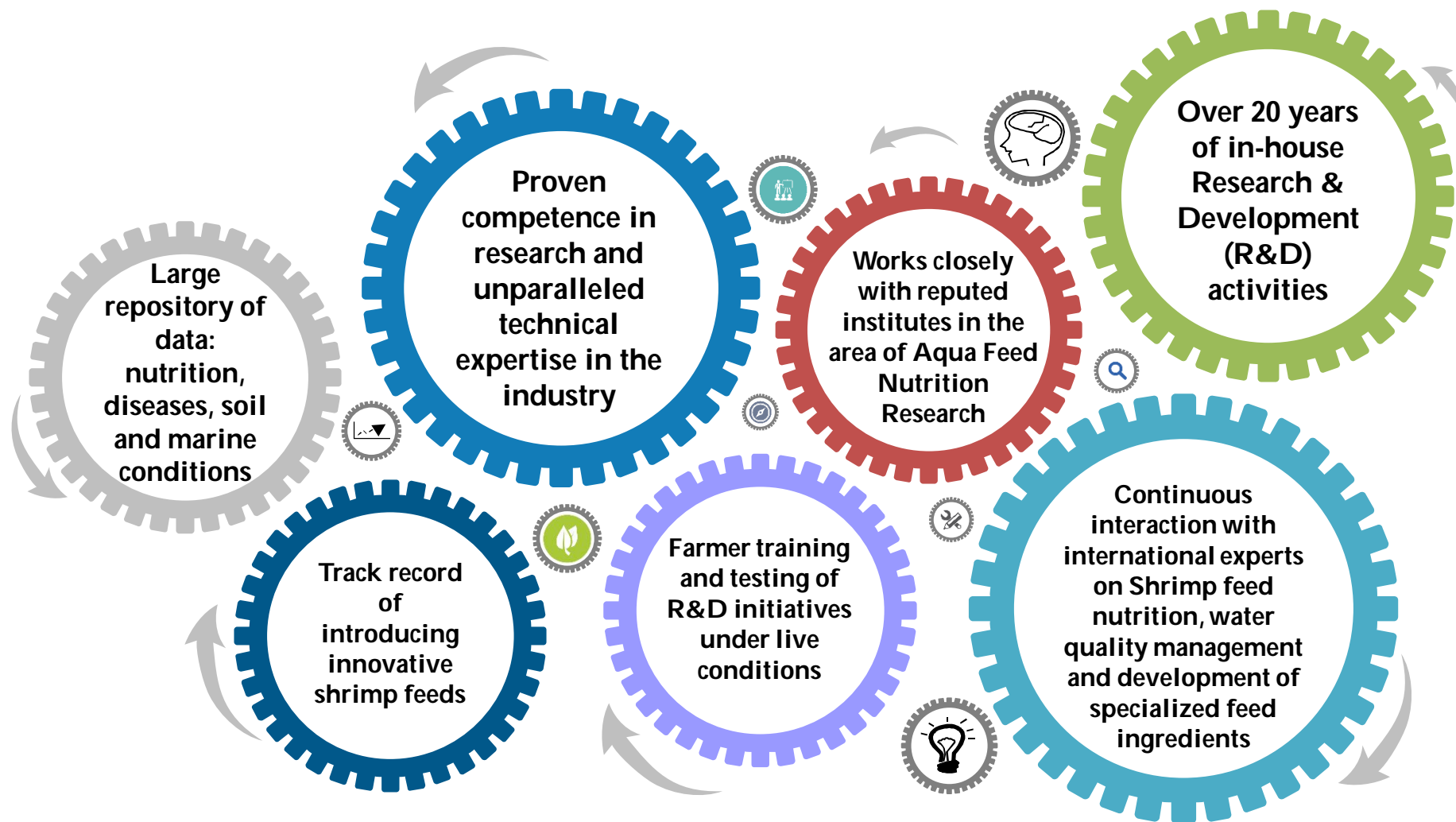


Processed  
Shrimp



# R&D Strengths

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**Promoting gut health & a stable gut microflora:** Natural antibacterial action



Boosting energy reserves (nutritional status hepatopancreas)

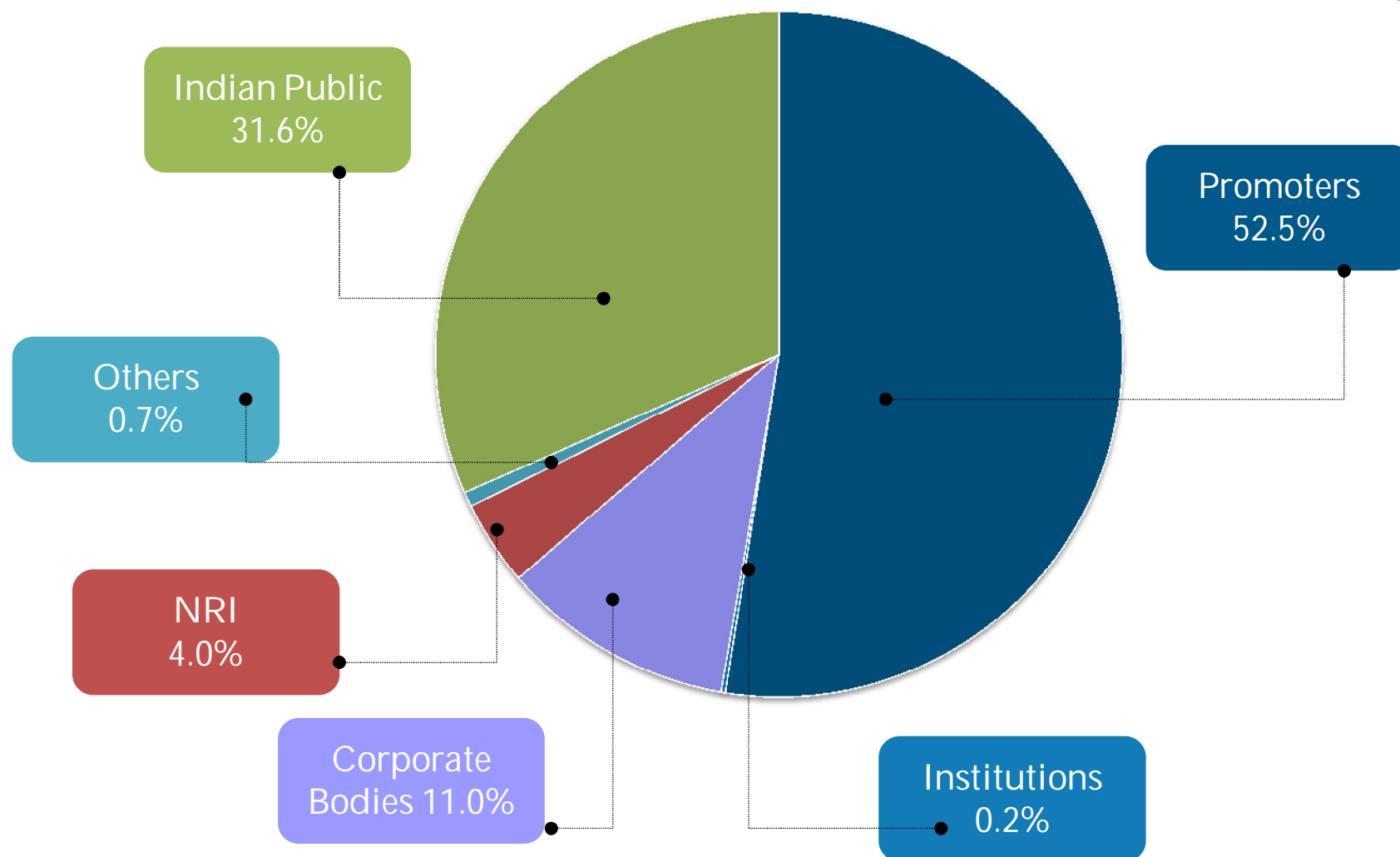


### BAY WHITE Enriched

Details	Feature 1	Feature 2
USP	Natural antibacterial action	Enhances hepatopancreas function
Benefits	Stabilization of the gut microflora using natural bacteriostatic action	Enhanced energy availability and digestive capacity for fats, improved lipid nutrition

## Shareholding Pattern as on 31<sup>st</sup> March, 2016

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Note:

- Karam Chand Thapar & Bros. (Coal Sales) Ltd had acquired 19,10,500 shares of the company on 30th & 31st March, 2016 which is not reflected in the above chart.
- Consequent to this acquisition, the stake of Karam Chand Thapar & Bros. (Coal Sales) Ltd has increased from 46.66% to 51.60% and the Promoters stake has increased from 52.50% to 57.41%.

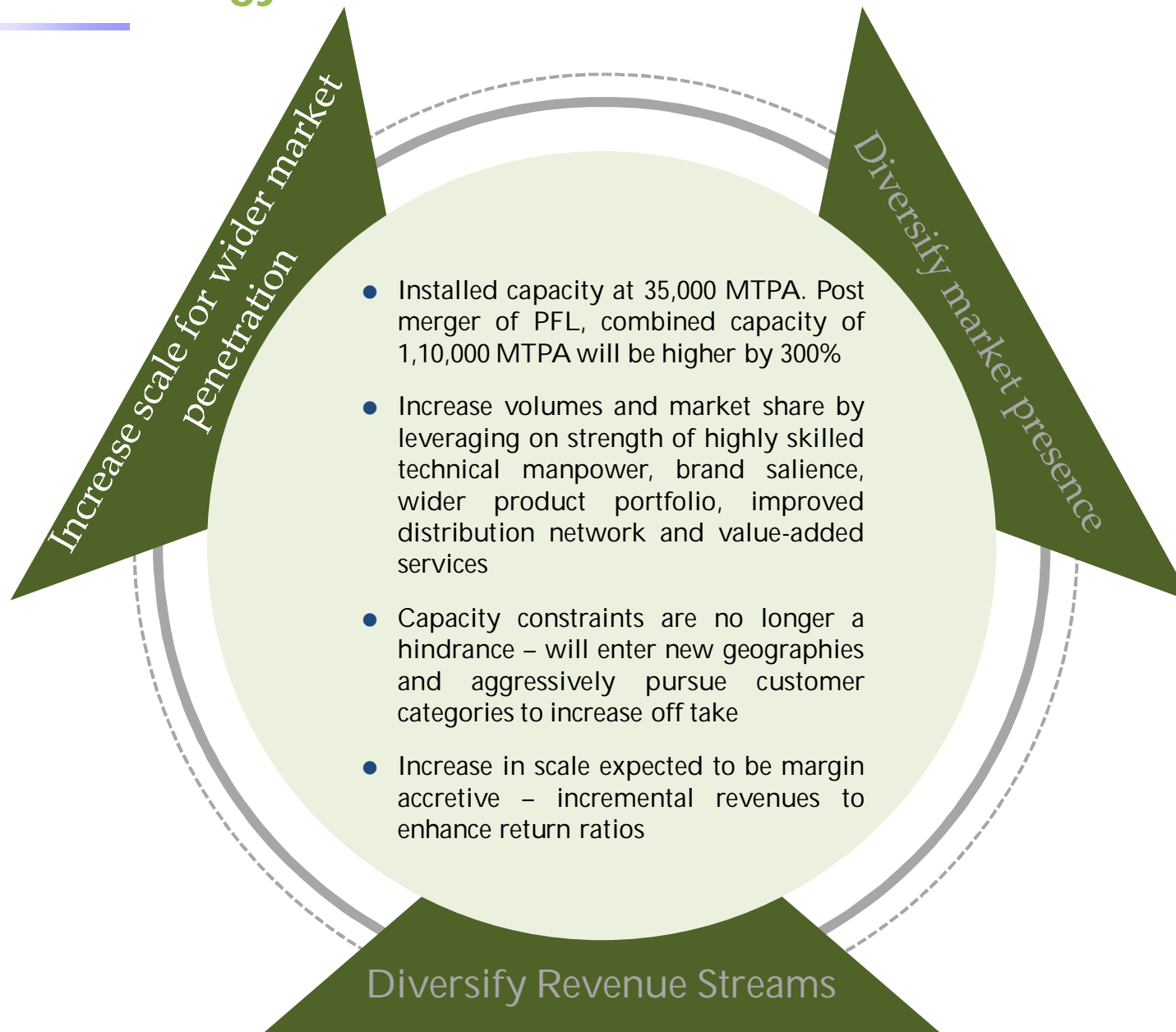
# Growth Strategy

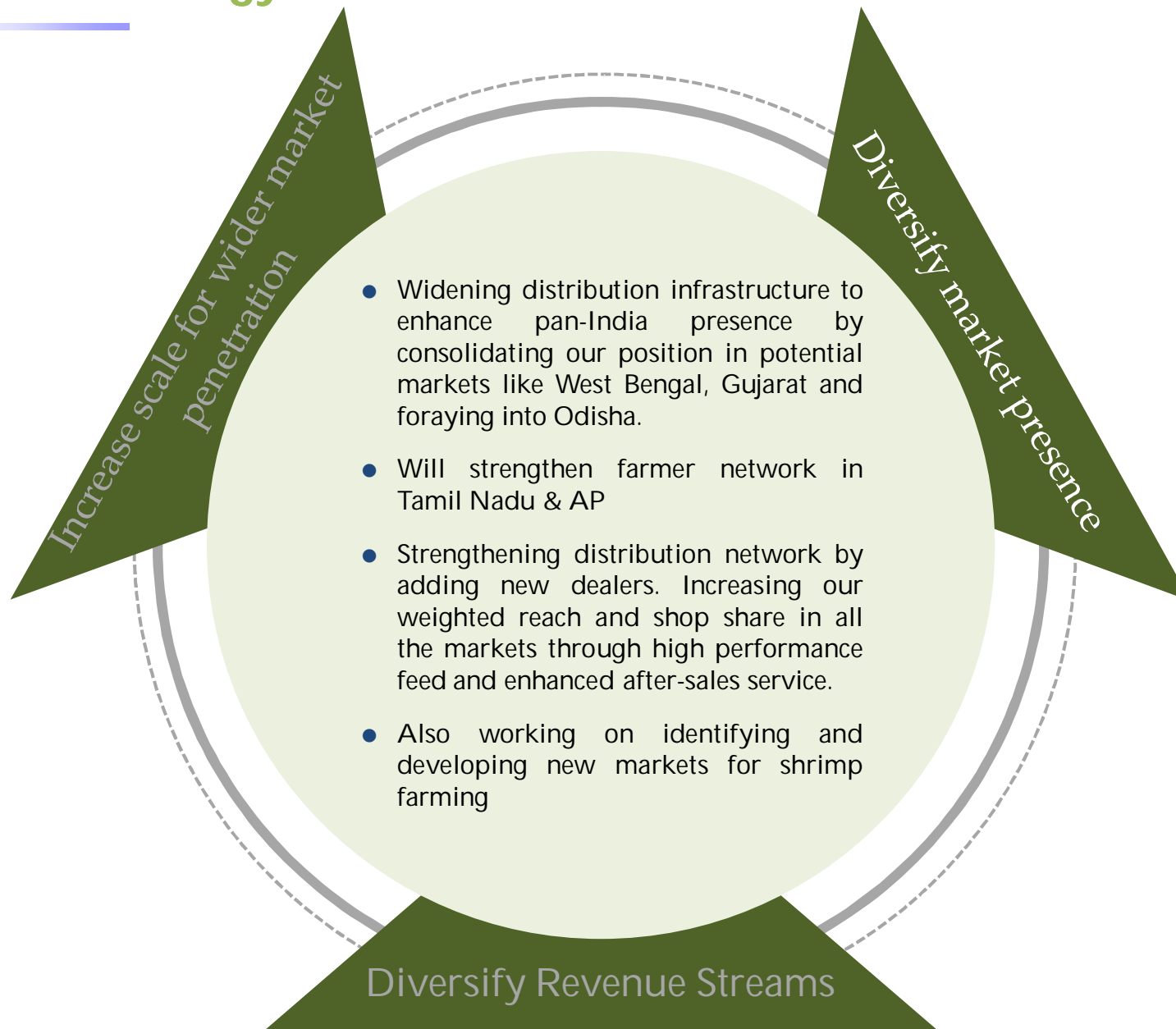


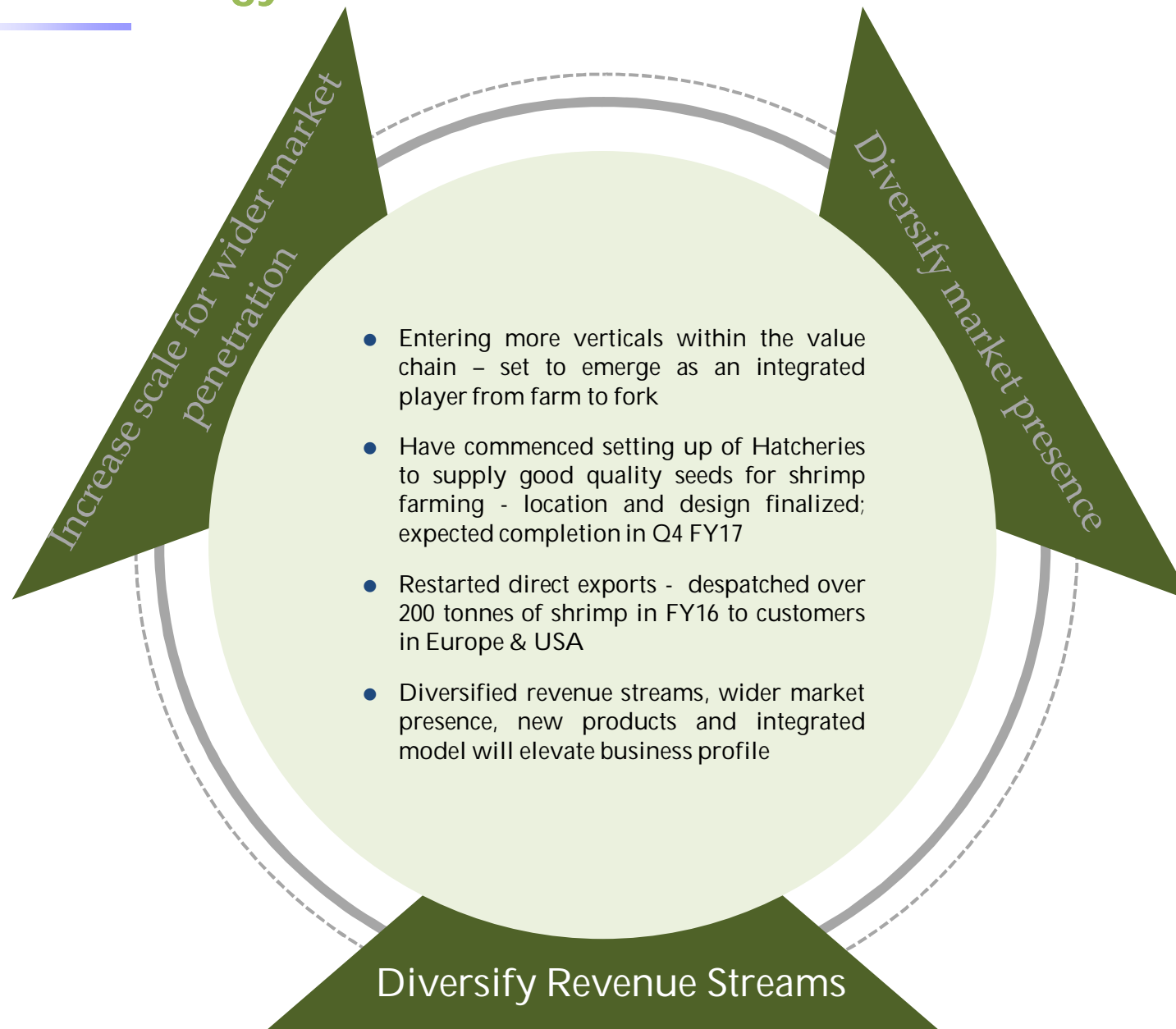






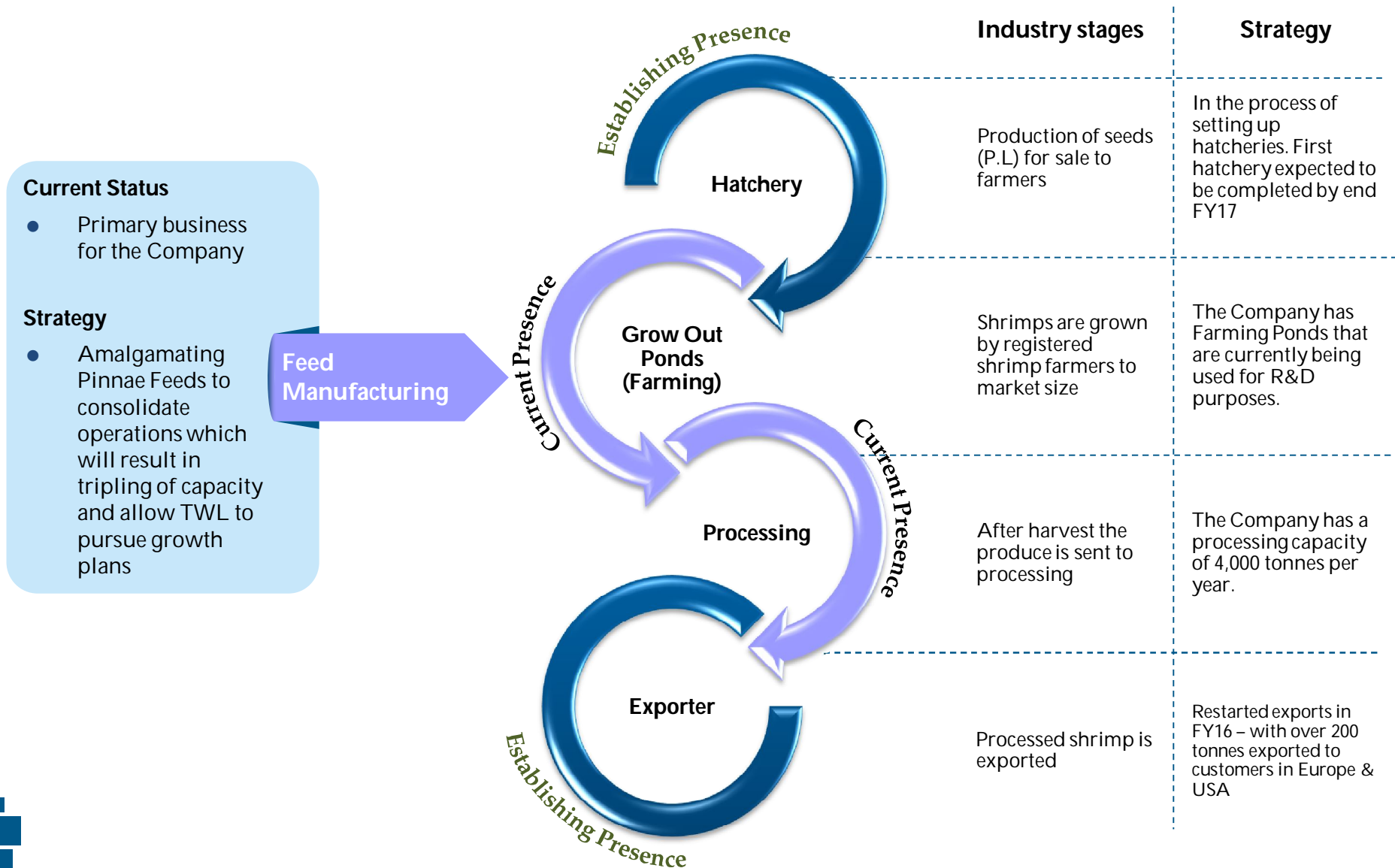






# Value Chain – Shrimp Industry

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## Current Status

- Primary business for the Company

## Strategy

- Amalgamating Pinnae Feeds to consolidate operations which will result in tripling of capacity and allow TWL to pursue growth plans

Feed Manufacturing

Establishing Presence

Hatchery

Current Presence

Grow Out Ponds (Farming)

Processing

Current Presence

Exporter

Establishing Presence

# Scheme of Amalgamation - Transaction Highlights



# Transaction Details

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- **Swap Ratio:** 4:17; TWL to issue 4 fully paid up equity share for every 17 equity shares held by shareholders in PFL
- **Appointed Date of Scheme:** 1st August 2015
- **Completion Date (exp):** Q2 FY17
- **Basis of Valuation:** Net Assets Valuation (NAV) method and Discounted Cash Flow (DCF) methods used to arrive at fair value of assets
- **Weightage of 1:4 for NAV: DCF** - incorporates the value in the books as well as the potential return that can be generated from these assets
- Illiquidity discount applied to PFL and valuation of PFL takes into consideration the various qualitative factors relevant to each company and the business dynamics and growth potentials of the business

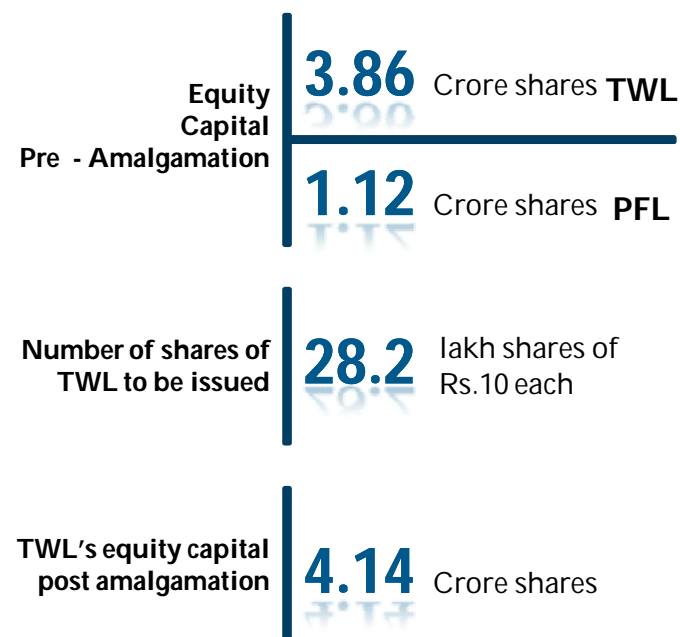
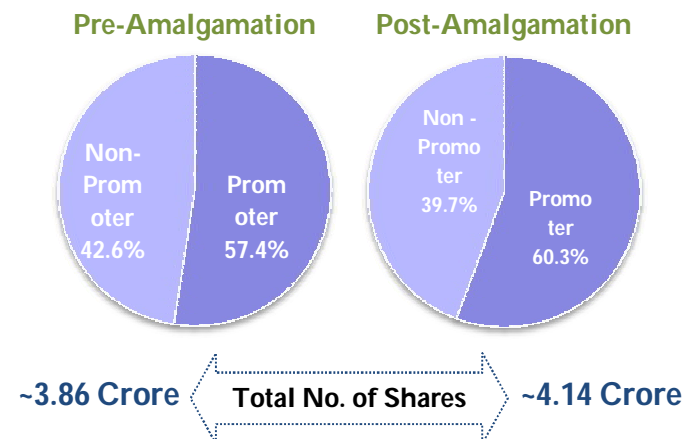
## Advisors

- **Scheme Consultant:** KPMG
- **Fairness Opinion:** Saffron Capital Advisors Pvt Ltd.- Category I Merchant Bankers
- **Legal Advisors:** M/s. VGB & Associates
- **Valuation Report:** SSPA & Co., Chartered Accountants

## Benefits to Minority Shareholder

- Tripling of capacity without cash outgo / additional investment
- TWL was operating at full capacity – can now pursue opportunities for growth
- Value accretive for all shareholders - minority to witness limited dilution relative to capacity added

## Shareholders – Significant Value Creation



# Background - Pinnae Feeds Limited

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- Pinnae Feeds Ltd., wholly owned subsidiary of Karam Chand Thapar & Bros (Coal Sales) Limited; the flagship company of the KCT Group (promoters of TWL)
- **Incorporated in:** July, 2012
- **Objective:** To meet capacity expansion plans for the Feed manufacturing business
- TWL was intended to be the sole customer
- Expansion could not be undertaken by TWL due to dispute with one of its bankers

## Location :

- Manufacturing unit located at Nellore, Andhra Pradesh
- ~70 Kms away from TWL's factory in Nellore

## Producer of shrimp feeds :

- Expansion undertaken in 2 phases; Phase I completed in FY15 capacity of 40,000 MTPA and Phase II which was completed in FY16 comprised the balance capacity of 35,000 MTPA
- Commenced commercial operation in H2FY15
- Post completion of Phase II - Capacity of 75,000 MTPA is now fully operational

## Financials :

- Revenues of Rs. 36.5 crore in FY15 from supply of feed to TWL
- Gross Block - Rs. 45.15 crore
- As of March 31, 2015 - Debt: ~Rs. 46.8 crore (including term loans as well as working capital)

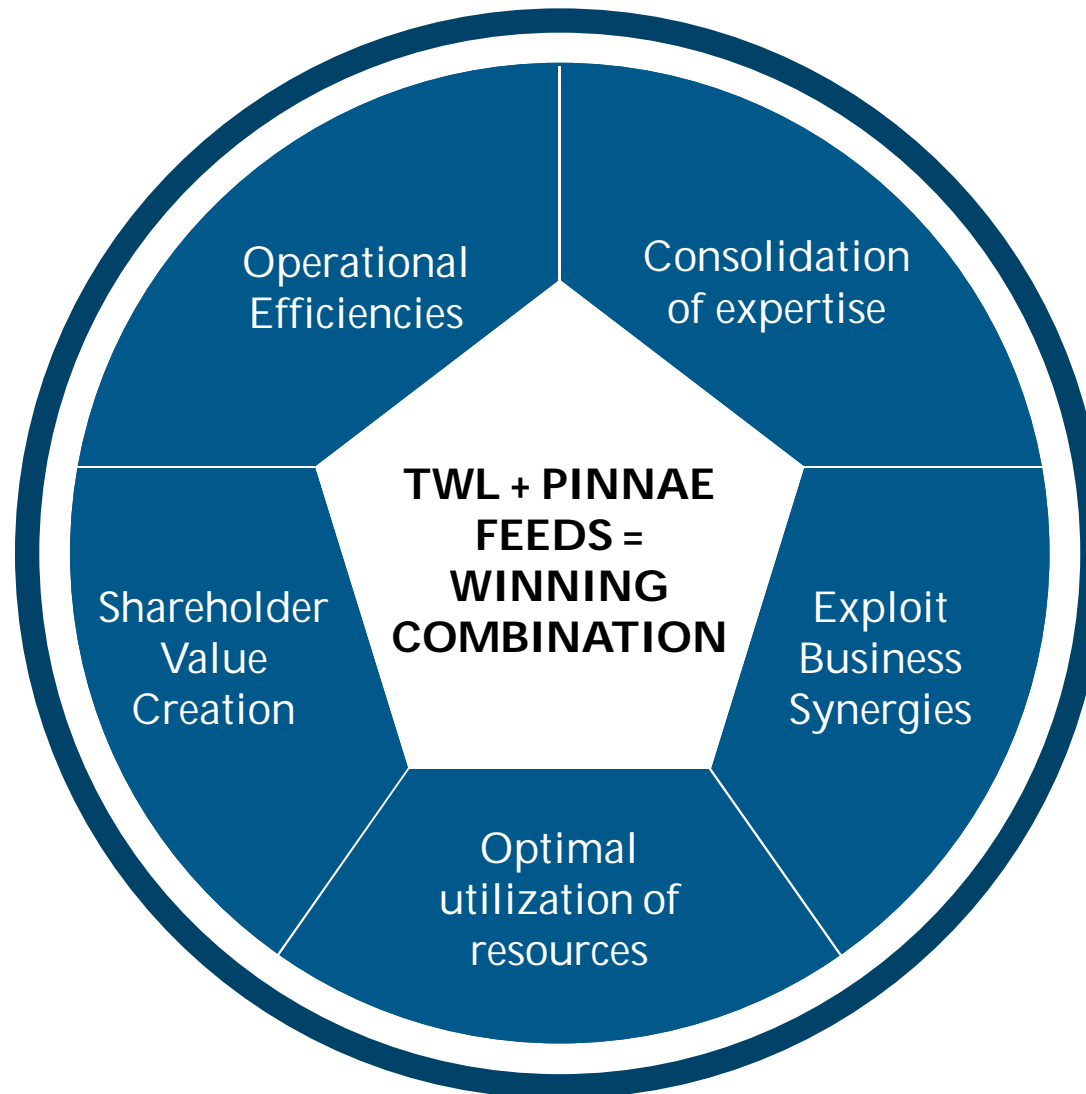


## Rationale for Amalgamation

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*TWL's production capacity will increase from 35,000 MTPA to 1,10,000 MTPA*





# Industry Overview

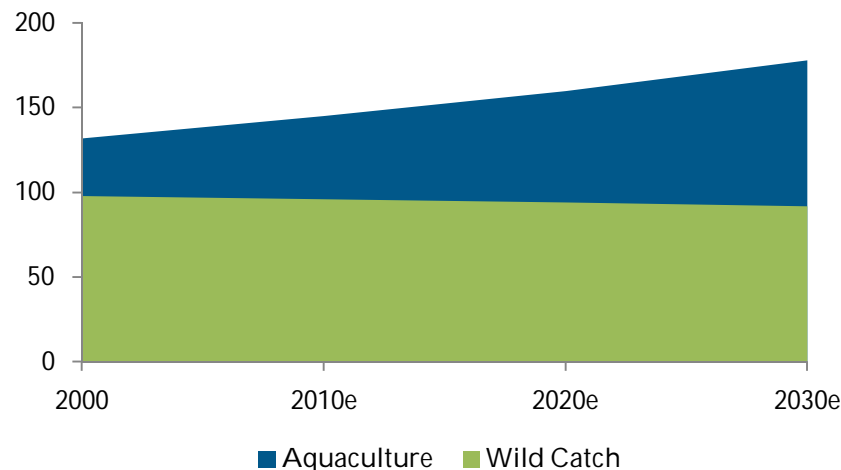


# Demand for seafood is rising globally

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Total seafood production  
in million tonnes



- Seafood production is expected to increase from 130mn tonnes in 2000 to ~170mn tonnes in 2030
- Within this, the share of wild catch is expected to go down and incremental volumes are expected largely from aquaculture (farmed production)
- Growth in aquaculture projected at 134% over 2000-2030 by the Food & Agriculture Organisation (FAO) of the United Nations

Source: <http://www.fao.org/docrep/009/A0699e/A0699E09.htm>

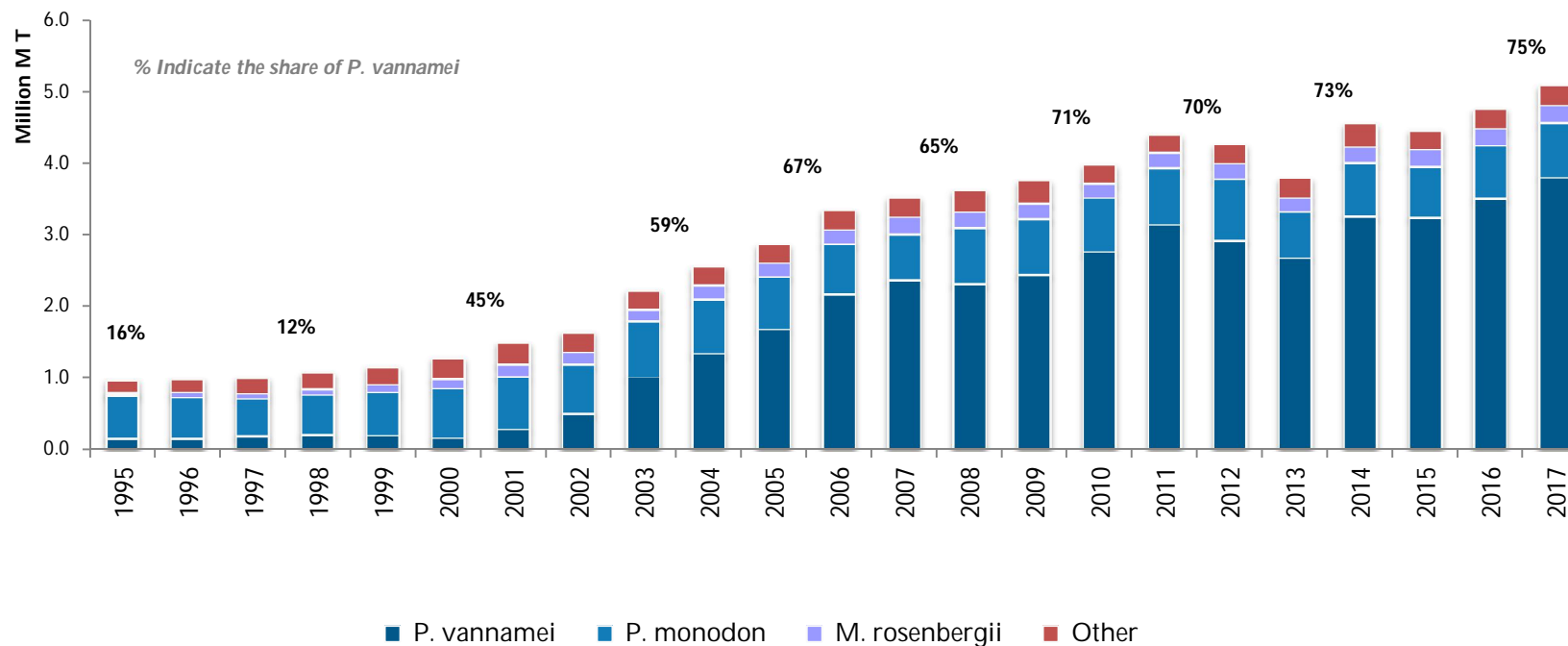
Shrimp is **the largest** single seafood commodity in value terms

Shrimp production **is estimated to be growing at 5% annually** and production volumes are estimated at **4.5 mn tonnes**

Sought after for **nutritional properties** and high quality of lean proteins

Farmed shrimp contributes **more than half** of total annual production ~55%

## World Shrimp Aquaculture by Species:



- Aquaculture volumes have grown 4.5x over the last 20 years to 4.5mn tonnes in 2016 from 1.0mn tonnes in 1995
- Share of *P. Vannamei* has increased to 75% in 2016 from <10% in 1995



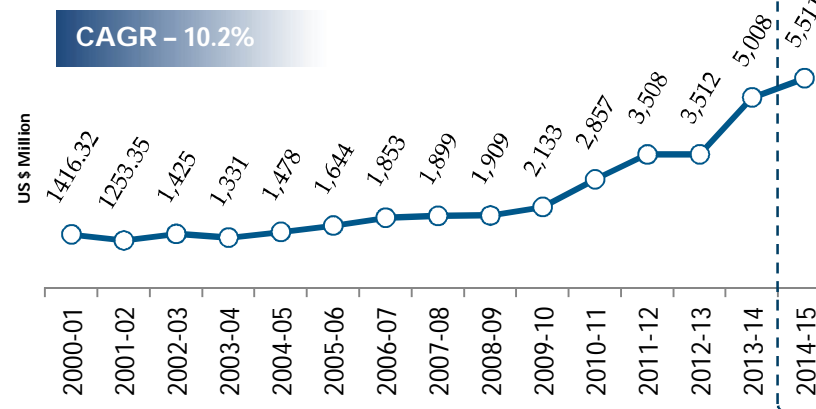
# Robust Industry Growth

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- In FY15, Marine product exports from India were at an all-time high of USD \$5.5 billion.
  - MPEDA's stated target for the year 2015-16 is US \$ 6.6 billion
- Marine product exports crossed all previous records in quantity, rupee value and USD terms.
- USA is the largest market for Indian seafood products with a share of 26.46% in terms of USD followed by South East Asia (25.71%), European Union (20.08%), Japan (9.11%), other countries (8.58%), Middle East (6.04%) and China (4.02%).
- Exports to USA had registered a growth of 16.94% in quantity and 13.39% in USD realization and are mainly attributed to the export of Frozen Shrimp

Export Performance Since 2002-03 (US \$ Million)



Export Details	2013-14	2014-15	Growth (%)
Quantity Tonnes	9,83,756	10,51,243	6.86
Value Rs. crore	30,213.26	33,441.61	10.69
Value US \$ Billion	5.0	5.5	10.05

Source: www.mpeda.com

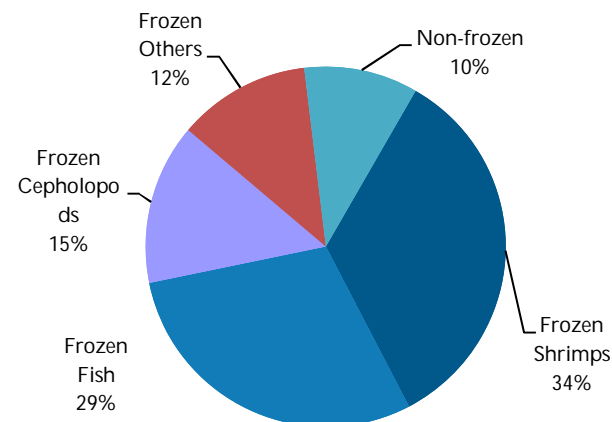
## Driven by strong growth in Shrimp Exports

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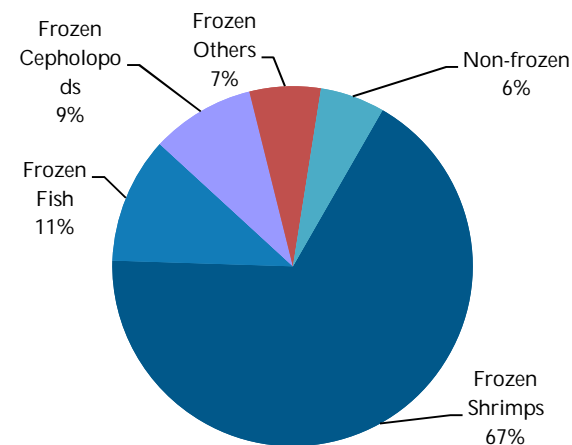


- During 2014 -15 shrimp aquaculture has shown tremendous growth (30.64%) and achieved highest production
- Frozen shrimp continued to be the major export item in the export basket in terms of quantity and value
- The overall export of shrimp during 2014-15 stood at 3,57,505 MT valued at Rs, 22,468 crore (\$3.7 billion)
- The export of Vannamei stood at 2,22,176 MT recording a growth of 26.90% in quantity and 18.98% in USD terms
- With Vannamei shrimps becoming a money spinner in the Indian seafood exports, the focus has shifted to farmed seafood products and the share of sea catch has come down in the total seafood export basket

**Volume Contribution**

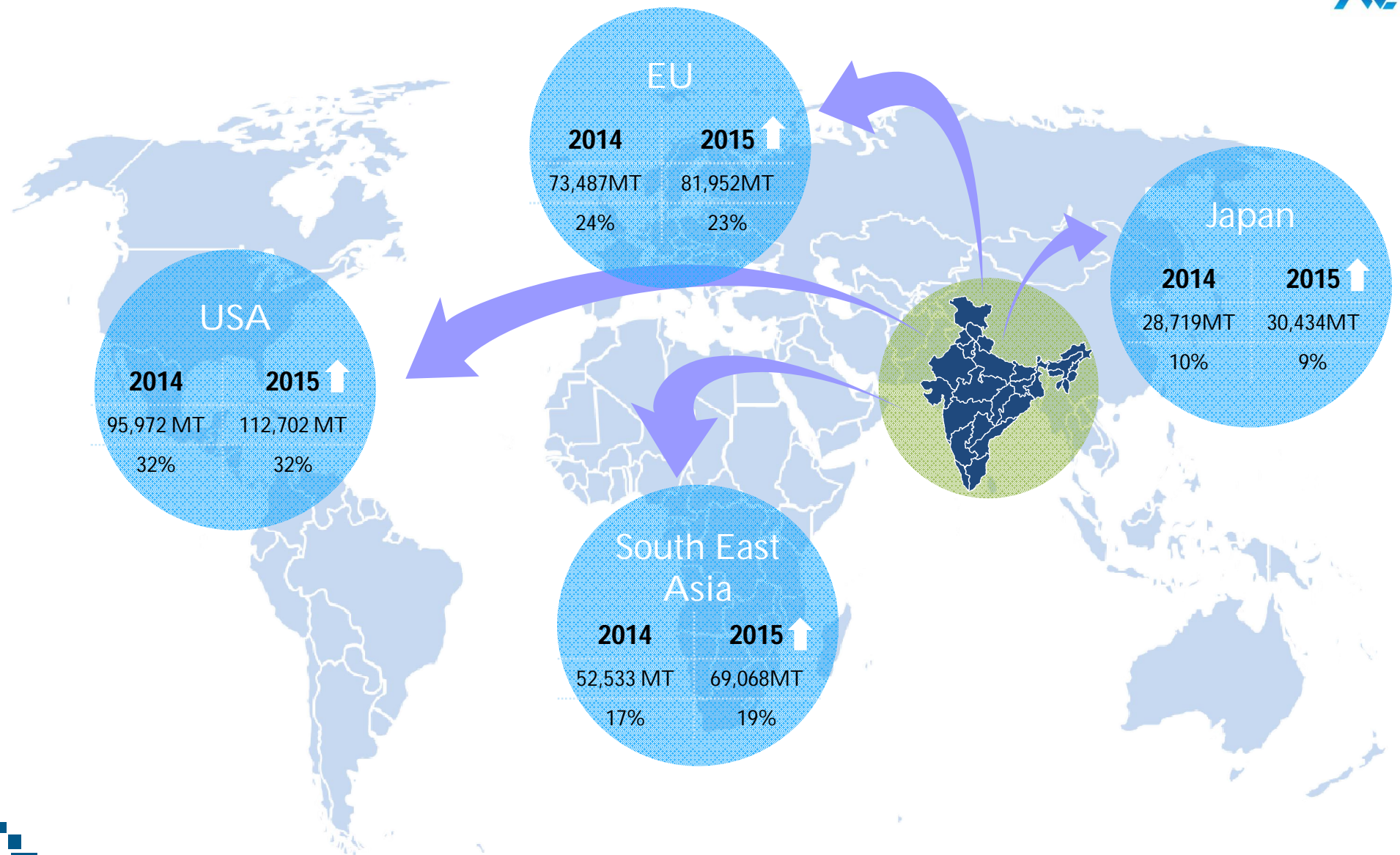


**Value Contribution**



# Shrimp Exports

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Source: MPEDA

# Factors behind Success of Shrimp Farming in India

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## Favorable Topography

India has abundant coastline and its climatic conditions are favorable for shrimp farming

## Availability Of Resources

Abundant farm labour at reasonable cost, availability of other inputs such as land and power and sustained high levels of productivity have enabled India to be competitive

## Active Regulatory Setup

The industry is governed by MPEDA and CAA and the regulatory framework. This is seen as a key factor which helped India to avert disease which impacted industry growth in other South-east Asian countries

## Changing of Species

The introduction of the L. Vannamei species altered the dynamics of shrimp farming through a significant shift in economic viability of farms

## Supply Disruptions In Thailand & Vietnam

Erstwhile key suppliers like Thailand and Vietnam were affected by breakout of EMS, leading to drastic fall in volume.

## Attractive Prices

Global prices for Vannamei shrimp have been at sustained high levels since past few years which has helped the industry/opportunity to be more lucrative



## Inherent Risks

- Diseases, weather patterns, fluctuating prices add to the unpredictability of the industry

## Fragmented Industry

- Due to its nature it is difficult to regulate and ensure industry-wide implementation of standards. The unorganized structure also leads to challenges in financing, insurance and labor supply.

## Quality of Inputs

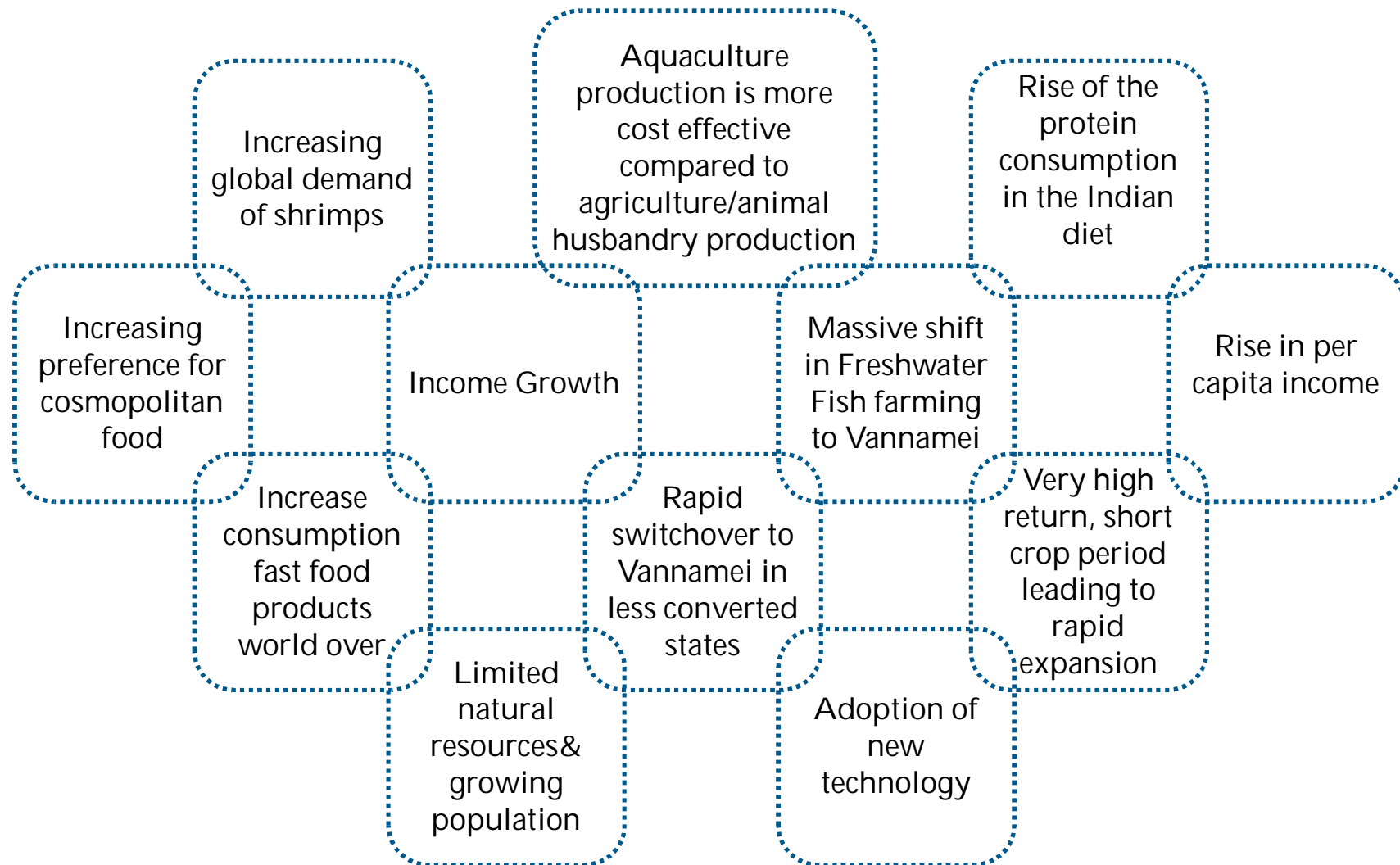
- Access to quality broodstock and seeds which are key inputs to farming are impediments to faster and sustainable growth – the poor quality of inputs is impacting consistent size and survival rates

## Raw Material Inflation

- Inconsistent supply and rising cost of major ingredients of shrimp feed such as soya and fish meal







# Financial Overview



<i>INR Cr.</i>						
Particulars	Q4 FY16	Q4 FY15	Growth (%)	FY16	FY15	Growth (%)
Income from Operations	64.3	48.4	33%	318.6	277.6	15%
EBITDA	-1.3	4.5	NA	2.92	30.9	-91%
EBITDA Margin (%)	NA	9.3%	-	0.9%	11.1%	-
PAT	-1.3	3.9	NA	0.7	19.5	-96%
PAT Margin (%)	NA	4.7%	-	0.2%	6.7%	-

## UPDATES TO THE FY16 PERFORMANCE :

- Flooding of the factory premises and surrounding areas in Nov 2015 impacted performance
- Performance was impacted due to One time settlement with Canara Bank, unexpected losses on account of flooding, disruption in operations and higher input costs

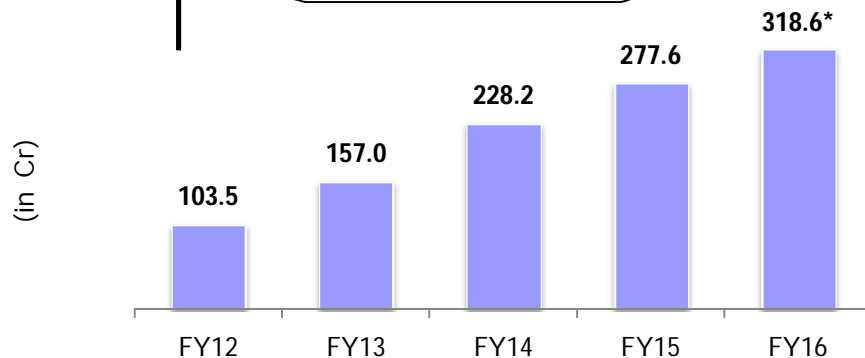
# Financial Performance

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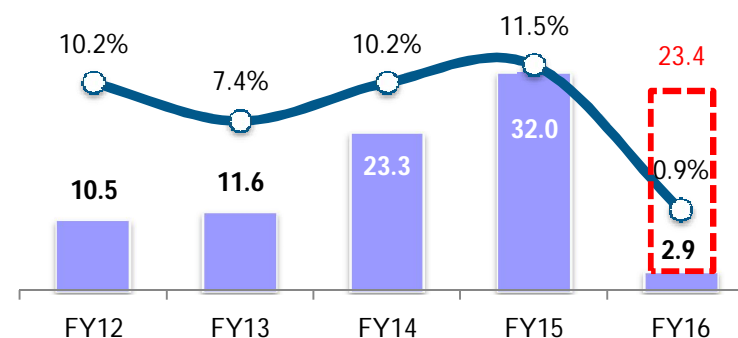


## Revenues

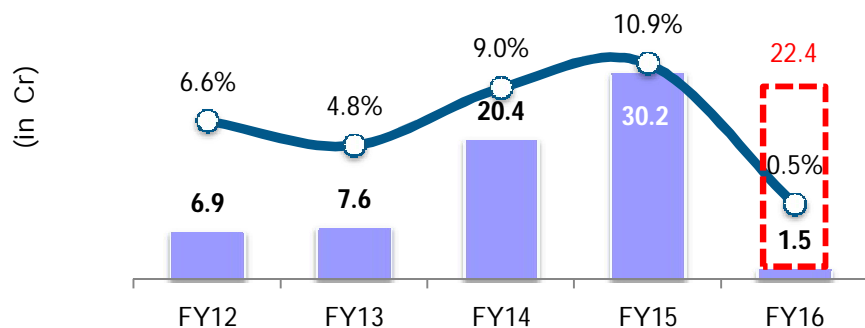
5 year CAGR : 32.57%



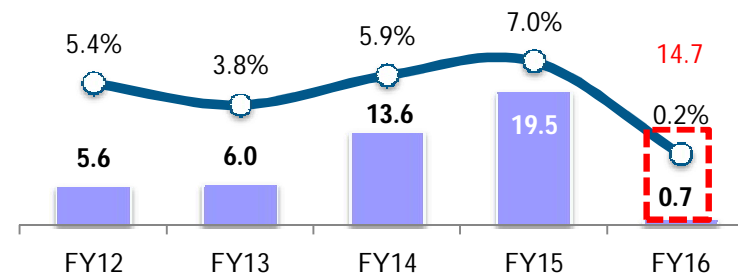
## EBITDA Margins



## PBT Margins



## PAT Margins



One-time expenses incurred due to flooding of factory premises, settlement of Canara Bank dues and higher input costs affected the FY16 performance.

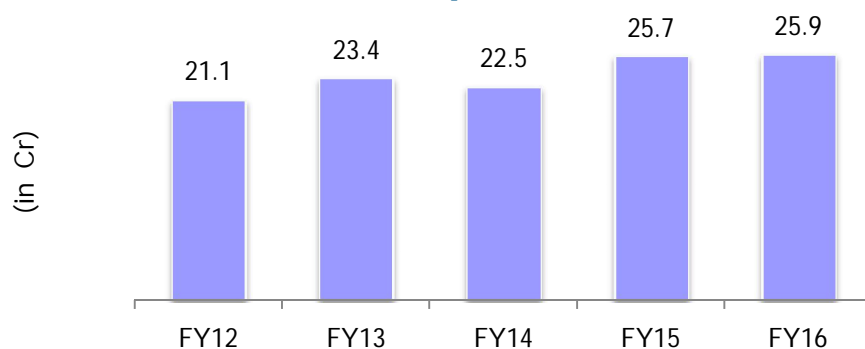
Figures in red - EBITDA, PBT and PAT for FY 16 before exceptional and extraordinary items amounting to Rs. 20.92 Crores

# Key Financials

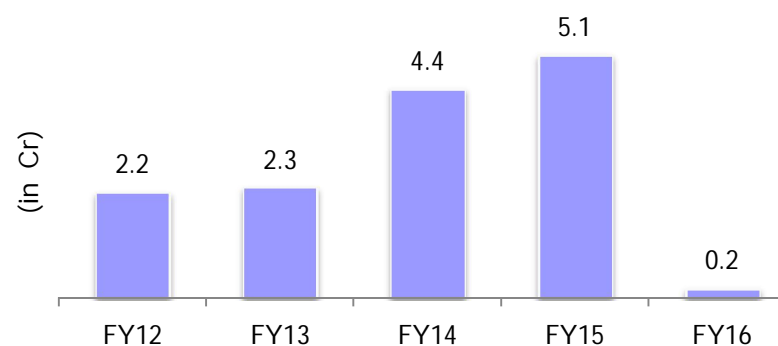
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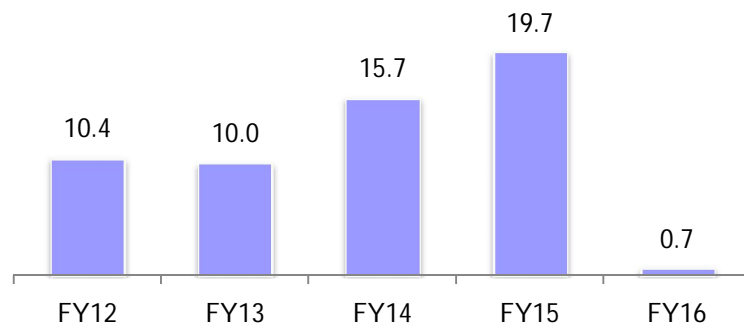
## Book value per share (Rs.)



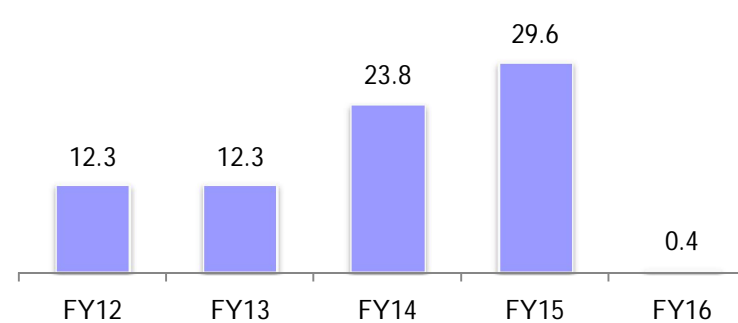
## Earnings Per Share



## Return on net worth (%)



## Return on Capital Employed (%)



One-time expenses incurred due to flooding of factory premises, settlement of Canara Bank dues amounting to Rs. 20.92 Crores impacted the performance for FY 16.

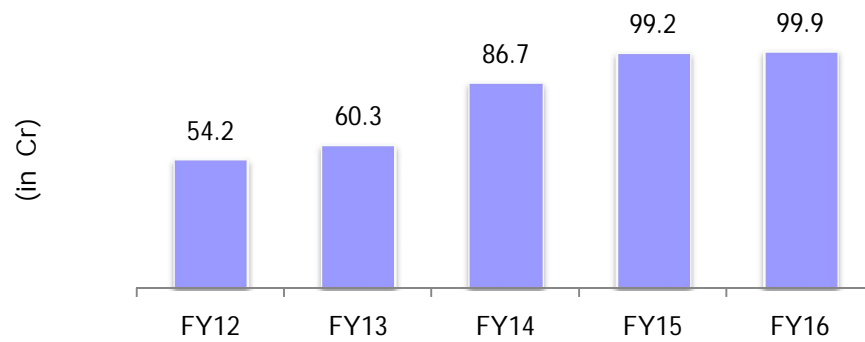


# Key Financials

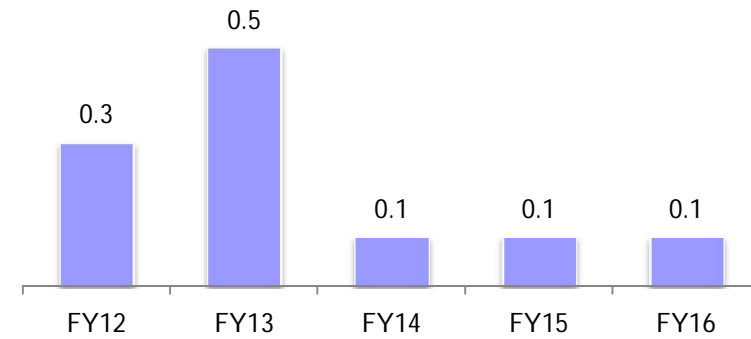
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## Net Worth



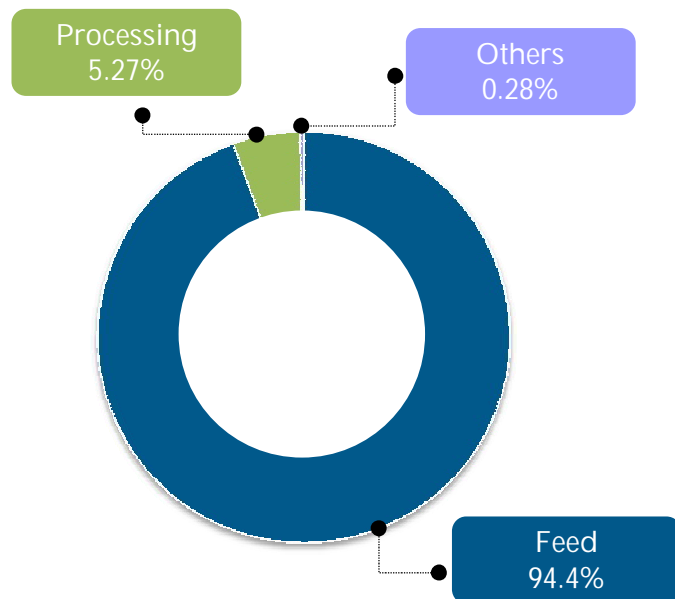
## Debt Equity Ratio



# Business Updates



## Revenue Mix



### Feed Business

- Launch of high performance Shrimp feed - Baywhite Enriched
- Obtained BAP certification for the Feed Plant
- Baring Andhra robust growth in other states
- Expanded footprint in West Bengal & Gujarat

### Processing Business

- Resumed Export of Processed shrimps
- Exported to US & Europe
- Exports was impacted due to Flooding of the factory



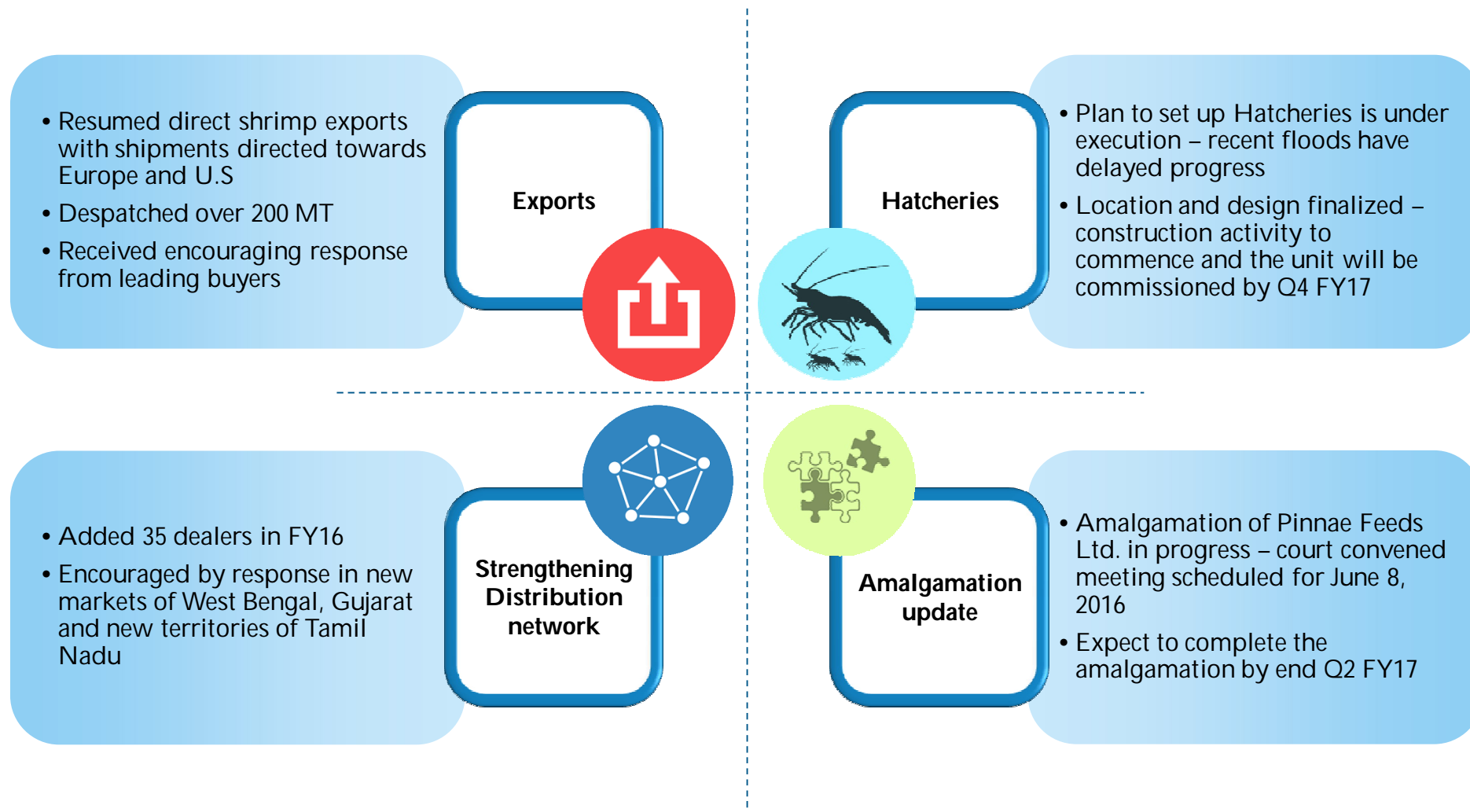
TWL runs on SAP





## Q4 & FY16 – Business Review

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### Settlement with Canara Bank :

- Management considered and accepted the One Time Settlement (OTS) proposal made by Canara Bank towards settlement of all the outstanding dues
  - Payments have been made on Nov 18 and Nov 19 to Canara Bank
  - Canara bank has issued a no dues certificate and both parties are in the process of withdrawing all legal proceedings

### Disruptions due to heavy rainfall:

- Factory located at Ananthapuram Village, Nellore was flooded due to incessant rains and water logging
  - The Factory was shut down from 19th November, 2015
  - The Factory has resumed operations from 27th January, 2016
  - The Company has submitted a claim of Rs. 19.08 crore with the Insurance Company



# Enhancing Brand Awareness

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## Shop Signage



## In-store branding





# Marketing & Distribution Initiatives

## Farmer Meets



# Industry Trends & Outlook



# Global Demand & Production Trends in 2015

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## Global Demand

- Despite a softer price trend, shrimp imports in the traditional developed markets remained disappointing in 2015
- The US which is the largest shrimp importer globally, elicited mixed signals due to unstable wholesale prices.
- There were high inventories in local distribution channels as well as with importers in the US.
- The EU registered a decline in volumes despite moderating global prices.
- In Japan, the moderation in prices of farmed shrimp have resulted in firming up of demand in the retail and catering trade in Japan since mid-2015.
- The demand from S. E. Asia and the Middle East was the bright spot in 2015

## Global Production

- World production of farmed shrimp was lower in 2015 due to falling prices, unfavorable weather conditions and diseases.
- Owing to the disease problems in China, India, Ecuador and Vietnam farmers lowered their stocking density to reduce or avoid disease occurrence.
- Thailand was the exception with production increasing in 2015 for the first time since 2012
- In Latin America, the top regional producer Ecuador saw farmers reducing stocking density beginning in September 2015 to avoid disease issues. The Earthquake in 2016 has impacted farming.
- In Mexico, there was a marginal increase in production as it recovers from the impact of the disease situation in recent years.





Shrimp production adversely impacted in FY16 due to a combination of falling prices, diseases and inclement weather

Lower farm-gate prices resulted in reduced stocking densities.

Localized outbreak of diseases, white spot, EHP , white faeces, white gut impacted Shrimp farming further

The rains and flooding exacerbated the already subdued production. Floods caused huge damage to ponds and financial distress to farmers in Southern AP.

The drop in production in AP alone is estimated to be over 20%

Limited availability of farmed Shrimp resulted in higher Farm gate prices in H2 FY 16

Disease surveillance programs were initiated by government and private bodies

Awareness programs on EHP and its control are widely carried across all markets

Gujarat and West Bengal continued to bring in more areas under aquaculture



- The Global prices for shrimp have been largely stable over the last year.
- With diseases still rampant in Vietnam and China demand for Shrimp from other countries, including India, would be higher.
- Due to lower production in H2 of FY 16 there has been an increase in the farm gate prices in India. This has improved the sentiment of the farming community. The prevailing farm gate prices may not be sustained in the coming months.
- Rising prices of Soya and Fish Meal could dent margins and availability of Fish meal and Fish oil is a matter of concern.





SPF	Specific pathogen free
FCR	Feed conversion ratio
MPEDA	Marine Products Exports Development Authority
CAA	Coastal aquaculture authority
MTPA	Metric tonne per annum
Broodstock	a group of mature individuals used in aquaculture for breeding purposes
P. Monodon	Black Tiger
P. Vannamei	White Shrimp





# Thank You

**For more information about us, please visit [www.waterbaseindia.com](http://www.waterbaseindia.com) OR contact:**

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